

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Parchment Community Library	County Kalamazoo
Fiscal Year End 09/30/2006	Opinion Date 12/14/2006	Date Audit Report Submitted to State 01/31/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

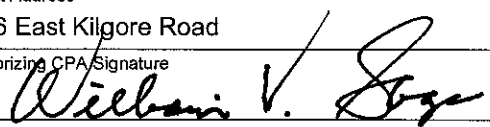
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further documentation necessary	
Other (Describe)	<input type="checkbox"/>	No further documentation necessary	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Authorizing CPA Signature 		Printed Name William V. Sage	Zip 49002
		License Number 1101008186	

Parchment Community Library
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended September 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Parchment Community Library, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Parchment Community Library, Michigan, as of September 30, 2006, and for the year then ended, which collectively comprise the Parchment Community Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Parchment Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Parchment Community Library, Michigan, as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on page 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Parchment Community Library, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

December 14, 2006

BASIC FINANCIAL STATEMENTS

Parchment Community Library
STATEMENT OF NET ASSETS
September 30, 2006

ASSETS

Current assets:

Cash	\$ 582,895
Prepaid expenses	7,757
Beneficial interest in assets held by foundation	<u>295,655</u>

Total current assets	<u>886,307</u>
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Noncurrent assets:

Beneficial interest in assets held by foundation	50,000
Capital assets (net of accumulated depreciation)	<u>1,023,029</u>

Total noncurrent assets	<u>1,073,029</u>
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Total assets	<u>1,959,336</u>
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LIABILITIES

Current liabilities - accounts payable	11,056
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Noncurrent liabilities - compensated absences	<u>7,572</u>
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Total liabilities	<u>18,628</u>
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NET ASSETS

Invested in capital assets	1,023,029
Restricted for nonexpendable endowment	50,000
Unrestricted	<u>867,679</u>

Total net assets	<u>\$ 1,940,708</u>
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See notes to the financial statements

Parchment Community Library
STATEMENT OF ACTIVITIES
Year ended September 30, 2006

PROGRAM EXPENSES

Recreation and cultural - library \$ 438,222

PROGRAM REVENUES

Charges for services 46,826

Operating grants and contributions 30,380

Total program revenues 77,206

NET PROGRAM EXPENSES

(361,016)

GENERAL REVENUES

Property taxes 400,433

Investment return 39,859

Total general revenues 440,292

NET CHANGE IN NET ASSETS

79,276

NET ASSETS - BEGINNING

1,861,432

NET ASSETS - ENDING

\$ 1,940,708

See notes to the financial statements

Parchment Community Library
BALANCE SHEET - governmental funds
September 30, 2006

	<u>General</u>	<u>Stanley Stevens Memorial Nonexpendable Trust</u>	<u>Totals</u>
ASSETS			
Cash	\$ 582,895	\$ -	\$ 582,895
Beneficial interest in assets held by foundation	<u>295,655</u>	<u>50,000</u>	<u>345,655</u>
Total assets	<u>\$ 878,550</u>	<u>\$ 50,000</u>	<u>\$ 928,550</u>
LIABILITIES AND FUND BALANCES			
Liabilities - accounts payable	<u>\$ 11,056</u>	<u>\$ -</u>	<u>\$ 11,056</u>
Fund balances:			
Reserved for endowment	-	50,000	50,000
Unreserved:			
Designated	22,068	-	22,068
Undesignated	<u>845,426</u>	<u>-</u>	<u>845,426</u>
Total fund balances	<u>867,494</u>	<u>50,000</u>	<u>917,494</u>
Total liabilities and fund balances	<u>\$ 878,550</u>	<u>\$ 50,000</u>	<u>\$ 928,550</u>
Fund balances - total governmental funds			\$ 917,494
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			1,023,029
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.			7,757
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(7,572)</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,940,708</u>

See notes to the financial statements

Parchment Community Library

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended September 30, 2006

	<u>General</u>	<u>Stanley Stevens Memorial Nonexpendable Trust</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 400,433	\$ -	\$ 400,433
State grants	21,609	-	21,609
Charges for services	4,744	-	4,744
Fines and forfeitures	41,442	-	41,442
Investment return	39,859	-	39,859
Other	9,411	-	9,411
Total revenues	<u>517,498</u>	<u>-</u>	<u>517,498</u>
EXPENDITURES			
Recreation and cultural	388,942	-	388,942
Capital outlay	19,881	-	19,881
Total expenditures	<u>408,823</u>	<u>-</u>	<u>408,823</u>
NET CHANGE IN FUND BALANCES	108,675	-	108,675
FUND BALANCES - BEGINNING	<u>758,819</u>	<u>50,000</u>	<u>808,819</u>
FUND BALANCES - ENDING	<u>\$ 867,494</u>	<u>\$ 50,000</u>	<u>\$ 917,494</u>
Net change in fund balances - total governmental funds			\$ 108,675
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:			
Capital assets:			
Amounts capitalized			56,722
Provision for depreciation			(78,092)
Decrease in prepaid expenses			(457)
Increase in accrued liabilities - compensated absences			<u>(7,572)</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 79,276</u>

See notes to the financial statements

Parchment Community Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Parchment Community Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library (primary government). The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Parchment Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Library reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Stanley Stevens Memorial Nonexpendable Trust Fund is a permanent fund that accounts for resources legally held in trust, as an endowment, that are legally restricted to the extent that only earnings, and not principal, may be used to support the Library's programs.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ii) Receivables - All receivables are considered to be fully collectible, and all are due within one year.

iii) Capital assets - capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Furniture and equipment	3 - 10 years
Books and a/v materials	10 years

Parchment Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Library. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no expenditures significantly in excess of amounts budgeted.

NOTE 3 - CASH:

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of September 30, 2006, \$195,933 of the Library's bank balances of \$595,933 was exposed to custodial credit risk because it was uninsured.

The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION:

Amounts shown as beneficial interest in assets held by foundation represent monies placed with the Kalamazoo Community Foundation (the Foundation) by the Library, specifying itself as the beneficiary. The Library and the Foundation are unrelated entities. The Library has the right, at any time, to receive from the Foundation, all or a portion of, the balance of such monies held by the Foundation. The Foundation, as custodian of such funds, continues to report the funds as assets of the Foundation, with a corresponding liability, agency non-endowed funds. The Library reports this asset at the present value of future payments expected to be received. The portion of the asset not considered expendable has been reported in the permanent fund.

Parchment Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - INVESTMENT RETURN:

Investment return consists of the following:

	<u>General</u>
Interest earned	\$ 16,484
Appreciation in fair value of beneficial interest in assets held by foundation	<u>23,375</u>
Net investment return	<u>\$ 39,859</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 1,345,765	\$ -	\$ -	\$ 1,345,765
Furniture and equipment	245,548	2,739	-	248,287
Books and a/v material	<u>281,642</u>	<u>53,983</u>	<u>(20,669)</u>	<u>314,956</u>
Subtotal	<u>1,872,955</u>	<u>56,722</u>	<u>(20,669)</u>	<u>1,909,008</u>
Less accumulated depreciation for:				
Buildings	(489,987)	(33,611)	-	(523,598)
Furniture and equipment	(210,936)	(12,985)	-	(223,921)
Books and a/v material	<u>(127,633)</u>	<u>(31,496)</u>	<u>20,669</u>	<u>(138,460)</u>
Subtotal	<u>(828,556)</u>	<u>(78,092)</u>	<u>20,669</u>	<u>(885,979)</u>
Governmental activities capital assets, net	<u>\$ 1,044,399</u>	<u>\$ (21,370)</u>	<u>\$ -</u>	<u>\$ 1,023,029</u>

NOTE 7 - NONCURRENT LIABILITIES:

At September 30, 2006, noncurrent liabilities consist of accrued employee benefits. The activity for the fiscal year was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ -	\$ 17,290	\$ (9,718)	\$ 7,572	\$ -

Parchment Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Parchment Community Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - General Fund**

Year ended September 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 386,331	\$ 386,331	\$ 400,433	\$ 14,102
State grants	19,150	19,150	21,609	2,459
Charges for service	3,035	3,035	4,744	1,709
Fines and forfeitures	36,800	36,800	41,442	4,642
Investment return	4,000	4,000	39,859	35,859
Other	2,600	2,600	9,411	6,811
	<u>451,916</u>	<u>451,916</u>	<u>517,498</u>	<u>65,582</u>
Total revenues				
EXPENDITURES				
Recreation and cultural:				
Salaries and wages	194,610	194,610	192,426	2,184
Employee benefits	12,721	12,721	12,513	208
Payroll taxes	14,888	14,888	14,727	161
Operating supplies	9,000	9,000	7,432	1,568
Programming	4,000	4,000	3,365	635
State aid - SMLC	2,000	2,083	2,083	-
Audio/video	13,800	13,800	10,193	3,607
Books	45,000	45,000	43,790	1,210
Periodicals	6,000	6,000	5,255	745
Professional services	14,600	14,600	13,270	1,330
Postage	1,200	1,200	1,259	(59)
Telephone	6,000	6,000	5,736	264
Utilities	25,900	27,941	27,490	451
Repairs and maintenance	27,800	34,701	30,668	4,033
Membership dues	350	350	340	10
Insurance	9,000	9,000	7,325	1,675
Workshops/professional development	1,000	917	459	458
Miscellaneous	1,500	7,050	10,611	(3,561)
	<u>389,369</u>	<u>403,861</u>	<u>388,942</u>	<u>14,919</u>
Total recreational and cultural				
Capital outlay	15,000	18,698	19,881	(1,183)
	<u>404,369</u>	<u>422,559</u>	<u>408,823</u>	<u>13,736</u>
Total expenditures				
NET CHANGE IN FUND BALANCES	47,547	29,357	108,675	79,318
FUND BALANCES - BEGINNING	758,819	758,819	758,819	-
FUND BALANCES - ENDING	<u>\$ 806,366</u>	<u>\$ 788,176</u>	<u>\$ 867,494</u>	<u>\$ 79,318</u>